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PENNSTATE

College of Business Administration

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Pennsylvania Business Survey

February 1989

YEAR-END REVIEW AND OUTLOOK

Solid 1988...Soft Landing in 1989

During the course of 1988, an attempt was made in the *Pennsylvania Business Survey* to highlight four themes which provide a good synopsis of economic conditions throughout the Commonwealth:

- Manufacturing's solid performance;
- Pennsylvania's encouraging performance vs. the nation;
- A rebound in the performance of western Pennsylvania; and,
- A reduction in growth as the year progressed.

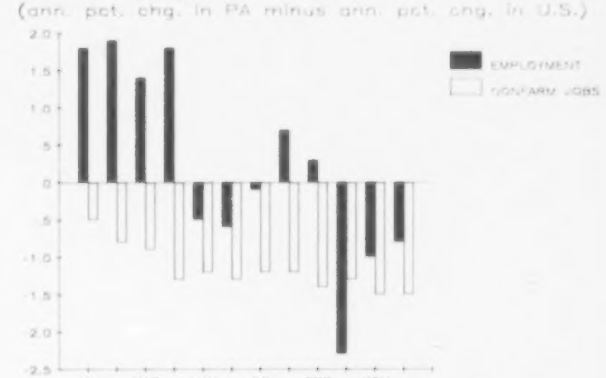
While these themes capture the general economic flavor of 1988, a review of expectations from a year ago provides additional detail. Our forecast incorrectly assumed that the stock market difficulties of the final months of 1987 were a sign of things to come. We called for some slowing in growth nationwide, which was expected to filter down to Pennsylvania. Instead, **the U.S. economy showed considerable vigor which translated into stronger growth in the Commonwealth.**

While we underestimated the economy's strength, a characteristic common to many forecasts for 1988, several aspects of the outlook were more accurate. The potential for a strong showing relative to the U.S. was raised as a likely probability. Expectations for improving conditions in Pennsylvania factories was also put forth. The relatively strong showing on the employment front during the first half of the year was also part of our expectations.

A review of economic indicators suggests that **a strong showing was turned in on the employment/unemployment front last year.** Employment growth, at a preliminary 2.4 percent, came in at one of its highest levels of the decade. A record number of Pennsylvanians were counted as employed, 5,458,000, up 130,000 from 1987. The 293,000 Commonwealth residents officially listed as without a job last year represent the lowest total since 1974, as does the 5.1 percent jobless rate. On a more negative note, **trends in initial claims for unemployment benefits, a leading indicator of joblessness, merit watching. They rose during the final three months of 1988 after adjusting for seasonality.**

There were, however, signs of a slowdown. While first quarter employment was up by 220,000 on an annual basis, fourth quarter's gain was 40,000. Employment growth was quite strong in Pennsylvania during the first four months of the year, averaging 1.5-2 percentage points higher than in the nation (see chart). In the final eight months of the year, Pennsylvania growth exceeded growth nationwide only twice. Still, the first half's performance pushed Pennsylvania growth for the year slightly above the 2.2 percent advance recorded by the U.S. Pennsylvania's showing relative to the U.S. over the longer-term leaves at least a fair amount of room for improvement, however.

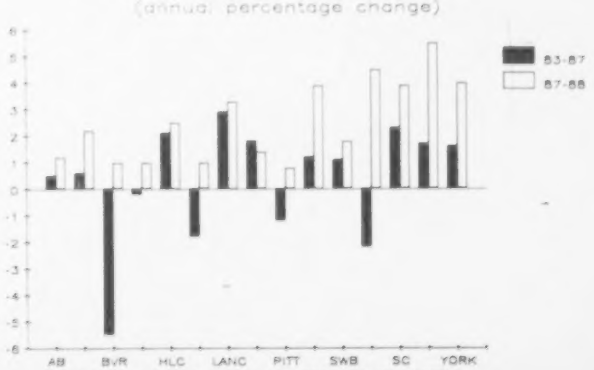
PA vs. THE U.S.: DIFFERENCES IN 1987-1988 EMPLOYMENT AND JOB GROWTH
(ann. pct. chg. in PA minus ann. pct. chg. in U.S.)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

A sound qualitative measure of economic strength is labor force behavior. Each metro area within Pennsylvania realized an increase in the labor force in 1988 (see chart). Five of these regions had negative growth rates over the 1983-1987 period. Trends suggest that **there was a narrowing of the**

1983-1987 AND 1987-1988 LABOR FORCE GROWTH IN PA METRO AREAS
(annual percentage change)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, BUR. OF RES. AND STATS.

gap between the "strong" metro areas and the "weak" metro areas.

Growth in nonagricultural jobs in Pennsylvania remained below that for the U.S. each month last year (see chart) and the shortfall increased as the year progressed. There were 5,038,000 jobs maintained in Pennsylvania establishments in 1988, a new record and up 2.5 percent from a year ago. This performance did not live up to the 3.6 percent advance recorded nationwide. **Trends in nonfarm jobs suggest that the employment picture may not have been quite as rosey as the resident data suggest,** especially in light of the fact that many analysts consider the nonfarm series to be statistically more reliable.

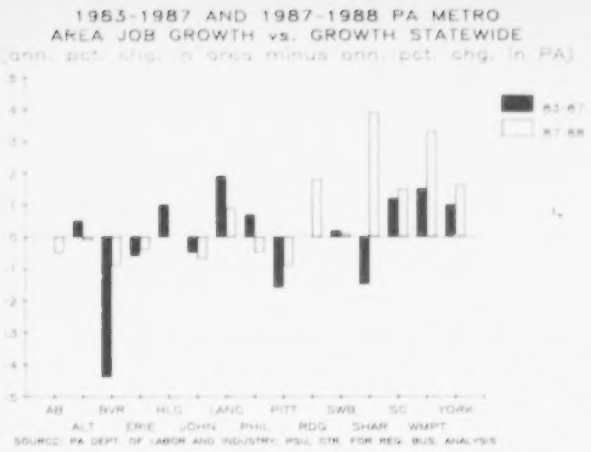
Over the 1983-1987 period, five areas realized annual job growth rates which were below Statewide readings (see chart). Four of these managed to improve upon that performance (relative to the Commonwealth) during the 1987-1988 period. Ten areas matched or exceeded Statewide growth during the earlier period but only four managed to expand this margin further over the course of 1988. These trends also suggest that there was some narrowing of the gap between Pennsylvania metro areas.

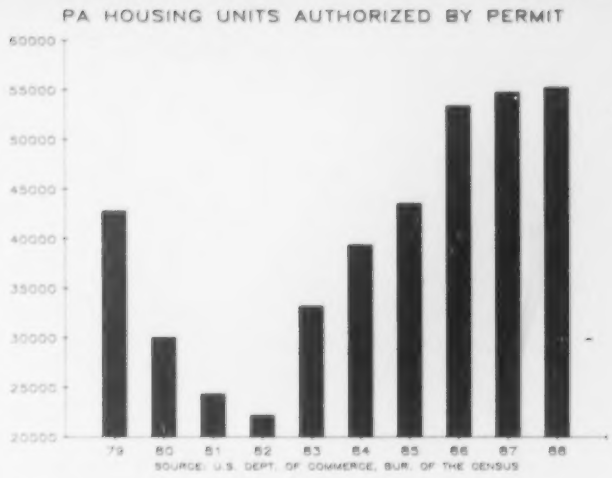
The turnaround in manufacturing is apparent as 10,000 jobs were added in 1988, the second gain recorded this decade. All new factory jobs are accounted for by the durable goods industries, a surprising outcome in that these industries

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	Nov.	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,123*	5,119	5,018	5,074*	5,083	4,982	111.1	111.4	109.1
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,064*	4,064	3,965	4,021*	4,029	3,930	124.7*	125.0	121.9
Mining	30	29	30	30	30	31	62.1*	62.9	65.0
Contract construction	251*	241	223	243	245	228	132.3*	133.3	124.0
Transportation	145	145	145	142	143	142	87.9*	88.6	88.2
Public Utilities	105	104	105	105	104	105	104.0	103.5	104.3
Wholesale trade	271*	271	265	271*	271	265	122.1*	122.0	119.7
Retail trade	898	912	903	879	882	873	122.5	122.9	121.7
Finance, insurance & real estate	298*	298	292	299*	299	293	137.6*	137.5	134.6
Service & miscellaneous	1,359	1,357	1,300	1,358	1,360	1,302	157.4	157.7	151.0
Federal government	142	143	145	143	143	145	111.6	111.5	113.0
State & local government	566	563	556	554	554	547	95.1*	95.0	93.8
Manufacturing									
No. of wage and salary jobs (thous.)	1,056*	1,055	1,052	1,054*	1,054	1,052	78.5	78.6	78.4
Durable goods	605	604	600	604	604	599	74.6*	74.5	74.0
Nondurable goods	451*	451	452	449*	450	452	84.3*	84.6	84.9
Ave. wkly. hrs. worked by prod. workers	41.7	41.1	41.8	41.3	40.5	41.2	104.5	102.5	104.2
Total wkly. person-hours worked (mils.)	30.2	29.8	30.0	29.8	29.4	29.6	77.7	76.5	77.1
Total wkly. payroll (mil. dols.)	314.7	312.4	305.9	310.0	306.0	299.7	138.0	136.2	133.4
Average hourly earnings (dollars)	10.43	10.49	10.21	10.40	10.42	10.14	177.8	178.1	173.3
Average weekly earnings (dollars)	434.93	431.14	426.78	429.35	421.45	417.36	185.6	182.2	180.4
Steel production (thous. tons)	1,081	1,058	1,068	n.a.	n.a.	n.a.	55.5	58.2	59.2
Industrial electric power sales (mil. kwh)	3,753	3,768	3,720	3,858	3,864	3,785	104.5	104.6	102.5
Mining									
Anthracite coal (thous. net tons)	307	258	303	267	252	288	54.6	51.5	58.9
Bituminous coal (thous. net tons)	7,415	6,436	5,385	7,482	7,470	5,970	106.1	105.9	84.6
Construction contracts awarded (mil. dols.)									
Total	717.2	666.3	908.7	780.0	809.7	1,098.0	242.4	251.7	341.3
Residential building	371.1	318.6	395.5	438.3	397.3	486.3	311.4	282.3	345.5
Nonresidential building	259.6	221.1	442.3	227.7	270.6	531.3	209.9	249.4	489.7
Nonbuilding (utilities and public works)	86.5	126.6	70.9	114.0	141.8	80.4	157.3	195.6	110.9
Retail Sales (mil. dols.)	6,802	n.a.	6,323†	6,654	n.a.	6,160†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,491	5,523	5,459	5,465	5,522	5,458	113.7	114.9	113.6
Unemployed									
No. of persons (thous.)	248	243	293	262	267	318	65.4	66.7	79.3
Rate (percentage of labor force)	4.3	4.2	5.1						
Rate, seasonally adjusted				4.6	4.7	5.6			
Civilian labor force, no. of persons (thous.)	5,739	5,766	5,752	5,727	5,789	5,776	110.0	111.2	110.9
Initial claims for unemployment benefits	81,982	124,392	133,414	80,471	86,739	89,572	56.2	60.6	62.6

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987	*Month Ago*	*Year Ago*
	Nov.	*Dec.*	*Dec.*		
U.S. city average	120.3	120.5	115.4	+0.2	+4.4
Philadelphia	125.3	125.6	118.9	+0.2	+5.6
Pittsburgh	n.a.	116.7	113.0	n.a.	+3.3

[1] Total includes workers on strike. * = figure revised † = figure for November 1987 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.





often take the blame for the State's rather dismal showing earlier in the 1980s. **Despite the short-run uptick, barely a dent has been put into the losses racked up during the course of the past several years.** While factory jobs did increase by 1 percent, production, as measured by the Pennsylvania Manufacturing Activity Index, rose 3.5 percent (see table). Production is up by about one-fifth over the course of the recovery compared to a 7 percent job loss. While job levels are off considerably over the long-term, the drop in production is relatively small.

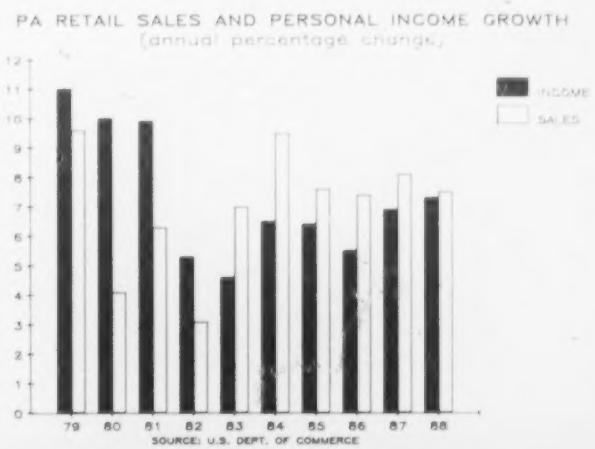
Other indicators of the factory sector's health also point to improvement. Hours worked, industrial power sales, and earnings were all up. However, the increase in average earnings failed to match the advance in prices. Hence, the typical factory worker, despite working longer hours and earning more, could not maintain purchasing power. Steel output continued to expand, increasing 18 percent. Output is still only about one-half of its 1979 level.

Nonmanufacturing turned in an even stronger performance as all but the mining sector contributed to a solid showing on the jobs front. In percentage terms, the strongest growth came in the construction industry where a 6.3 percent gain left employment at 236,000, a new record. Although contract awards were down in dollar terms as a result of sluggish showings in the nonresidential and nonbuilding categories, preliminary measures of real activity point to fairly healthy gains. The number of nonresidential projects authorized by permit rose 9 percent while nonbuilding projects increased 12 percent. **Housing permit authorizations were essentially unchanged from 1987 levels in rising by less than 1 percent,** settling at nearly 55,300 (see chart).

Within the service-producing areas, only the transportation and public utilities and government industry lines did not operate with a record number of workers in 1988. However, **service-producing job growth, at 2.7 percent, was off slightly from 1983-1987 averages.** The State's largest employer, the services industry, saw jobs rise nearly 5 percent to 1,337,000. This growth rate represents slight improvement over the 1987 pace.

Average monthly retail sales, at more than $6 billion, were up more than 7 percent compared to 1987, slightly larger than in the U.S. as a whole. There appears to have been a reversal in the relationship between retail sales and personal income growth in Pennsylvania during the early 1980s, a shift probably reflective of the onset of economic recovery. Over the 1979-1982 period, personal income growth exceeded retail sales growth each year. Since then, income growth has lagged sales growth every year, but by a decreasing amount (see chart). There are some interesting underlying trends at play here. However, in light of the lack of a lengthy time series of data, it is difficult to draw definitive conclusions.

In sum, **1988 appears to have been a solid year for Pennsylvania. Perhaps the most important factor contributing to the economy's renewed vigor was the strength in manufacturing.** Circumstantial evidence suggests that a strong showing was also turned in by Pennsylvania's consumers, though no hard data are available to back this up. A solid showing with respect to employment and income opportunities helped push forward retail activity and kept



Trends in PA manufacturing jobs and production: the short-term and the long-term (percentage change during specified periods)

	Jobs	Production
1987-1988	1.0	3.5
1982/1983-1988	-7.2	19.4
1979-1988	-24.2	-5.2
1973-1988	-28.9	-9.8

Source: PA Dept. of Labor and Industry; PSU, Center for Regional Business Analysis

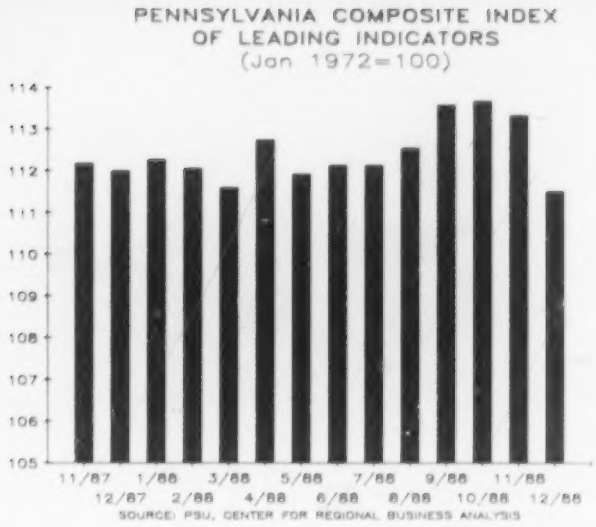
residential building on a near-record pace. Still, the problems facing the Commonwealth must not be ignored. There is continued concern with respect to an apparent mismatch between skill levels and available jobs. The problem of "underemployment" still remains. The Commonwealth continues to lose citizens, many of whom are young and highly educated, to other regions of the country. Finally, several communities, most found within the industrial regions of the State, remain depressed. Despite these problems, it is quite likely that economic conditions will remain positive throughout 1989.

Before the specifics are spelled out, some attention should be given to expectations regarding the U.S. economy. These events will again play the dominant role in determining the health of the Pennsylvania economy. The current consensus is that **the probability of a recession in 1989 is diminishing.** If anything, the economy may be too strong as fears of inflation appear to be widespread. Solid job, income, and spending growth in combination with concerns surrounding industrial capacity constraints have given rise to worries over price escalations. Expectations are for the Federal Reserve to continue tightening conditions in the nation's credit markets, raising interest rates, especially on the short-term side. This may hold economic growth to a more sustainable pace, probably around 2.5 percent. Additionally, the improvement on the trade front appears to have stalled and that will exert some downward pressure on growth. However, manufacturing should remain fairly strong in the short-term as there appears to be enough work in the "pipeline" to keep activity brisk. At the same time, signals near the end of 1988 suggested that consumer-related activity was poised to turn in a solid year in 1989. **It is quite likely that the actions on the monetary policy and trade fronts will prevail and growth will moderate, especially in the second half of the**

Annual Review of Major Economic Indicators — Pennsylvania and the United States

	Pennsylvania					United States		
	Mo. Ave.		Pct. change from			Pct. change from		
	1988	1987	1987	82/83 ave	1979	1987	82/83 ave	1979
No. of wage and salary jobs (thous.)								
All nonfarm industries	5,038	4,917	2.5	10.5	4.6	3.6	18.0	18.1
Manufacturing	1,052	1,042	1.0	-7.2	-24.2	2.5	5.0	-7.1
Durable goods	601	591	1.7	-8.1	-29.6	2.7	5.8	-9.7
Primary metals	92	88	4.5	-30.0	-54.9	4.4	-10.8	-37.6
Nondurable goods	450	451	-0.2	-6.2	-15.6	2.2	3.9	-3.1
Nonmanufacturing	3,984	3,872	2.9	16.5	16.5	3.9	21.4	25.8
Mining	30	31	-3.2	-29.4	-42.3	1.7	-29.5	-23.5
Construction	236	222	6.3	41.3	15.7	5.9	34.8	18.6
Service-producing industries	3,718	3,619	2.7	15.8	17.5	3.8	21.4	27.0
Transportation and public utilities	246	245	0.4	0.6	-9.6	3.6	11.2	8.7
Wholesale trade	269	263	2.3	11.9	12.6	4.8	16.7	18.3
Retail trade	875	859	1.9	17.3	16.2	3.8	24.7	28.1
Finance, insurance, and real estate	297	292	1.7	23.0	26.9	2.0	23.6	34.2
Services and miscellaneous	1,337	1,274	4.9	26.2	41.6	5.2	31.5	48.8
Federal government	143	142	0.7	7.5	9.2	1.0	7.8	7.1
State and local government	551	544	1.3	1.0	-6.6	2.5	10.1	9.4
Ave. wkly. hours worked by production workers								
All manufacturing industries	41.1	40.9	0.5	5.9	3.0	0.2	4.1	2.2
Durable goods	42.0	41.9	0.2	5.8	1.9	0.5	4.5	2.5
Primary metals	43.0	42.6	0.9	12.1	3.6	1.2	10.2	5.3
Nondurable goods	39.8	39.7	0.3	5.7	5.0	0.0	3.3	2.3
Total factory person-hours worked (mils.)	29.5	28.9	2.1	-1.3	-25.7	2.9	9.7	-9.5
Total factory payrolls (mil. dols.)	303.4	288.8	5.1	15.4	9.5	5.7	28.9	37.5
Average hourly earnings (dollars)	10.27	9.98	2.9	16.8	46.9	2.6	17.4	51.8
Average weekly earnings (dollars)	421.78	408.17	3.3	23.7	51.4	2.9	22.2	55.2
Steel production (thous. tons)	1,139	967	17.8	14.4	-51.6	11.4	24.8	-27.2
Industrial electric power sales (mil. kwh)	3,818	3,633	5.1	14.0	-3.4	4.8	16.5	5.2
Mining								
Anthracite coal (thous. net tons)[1]	290	297	-2.4	-19.8	-28.0			
Bituminous coal (thous. net tons)	6,162	5,572	10.6	5.3	-17.1	4.4	18.6	23.1
Construction contracts awarded								
Total, current dollars (mils.)	827.5	849.2	-2.6	110.4	114.7	-1.9	44.7	50.3
Residential building	370.5	325.6	13.8	136.7	120.8	-0.2	58.2	62.1
Nonresidential building	290.8	335.6	-13.3	99.0	114.6	-4.7	42.4	72.9
Nonbuilding (utilities and public works)	166.2	188.1	-11.6	83.0	102.2	-0.9	21.0	4.1
Total, constant 1982 dollars (mils.)[2]	714.0	743.0	-3.9	83.9	49.8	-3.3	26.6	4.9
Residential building	319.7	284.9	12.2	107.4	54.1	-1.6	38.7	13.2
Nonresidential building	250.9	293.6	-14.5	73.9	49.8	-6.0	24.5	20.7
Nonbuilding	143.4	164.6	-12.9	59.7	41.1	-2.3	5.7	-27.3
Retail Sales (mil. dols.)	6,323	5,904	7.1	51.9	78.2	6.6	44.2	79.3
Employed, no. of persons (thous.)	5,458	5,328	2.4	12.0	9.4	2.2	14.8	16.3
Unemployed								
No. of persons (thous.)	293	320	-8.4	-53.1	-21.0	-9.8	-37.4	9.2
Rate (percentage of labor force)	5.1	5.7						
Civilian labor force, no. of persons (thous.)	5,750	5,648	1.8	4.6	7.3	1.5	9.7	15.9
Initial claims for unemployment benefits (thous.)	83	91	-8.8	-52.0	-42.4			
Consumer Price Index for All Urban Consumers, all items (1982-1984 = 100)								
U.S. city average						4.1	20.7	62.9
Philadelphia	122.4	116.8	4.8	24.9	65.6			
Pittsburgh	115.1	111.4	3.3	17.7	61.7			

NOTES: All data are preliminary and are subject to revision.
[1]Pennsylvania is the only state mining Anthracite coal.
[2]Deflated by an estimated annual average of the U.S. Department of Commerce Monthly Composite Construction Cost Index.



year. Still, it must be stressed that growth will remain positive.

Trends in Pennsylvania are likely to mirror these. Some slowdown in growth is expected, but gains should again be recorded for the year as a whole. These general expectations are reflected in the behavior of the Pennsylvania leading index of economic indicators. For much of the year, the index drifted erratically upward. At year-end, however, the index had declined two consecutive months. The specifics of the forecast are outlined below:

- **Employment will continue to set record highs.** (The first piece of economic news for 1989 showed January employment at a new record.) Growth, at worst, may recede only slightly from the 1988 pace. Continued downward pressure will be exerted on joblessness as the unemployment rate should fall well below the 5 percent-level. These trends should continue to fuel solid gains in income and spending. The end result is expected to be continued strength in retail sales.
- **Manufacturing jobs should hold fairly steady.** The job picture should be somewhat more impressive early in the year. **Production should give back little of the ground made up over the course of the past two years,** though activity is unlikely to grow considerably.
- **Service-related industries should continue providing the bulk of all new jobs.** Especially strong gains are again expected in the trade and service sectors, reflecting a continuation of long-run trends.
- **Increases in mortgage rates may put some downward pressure on residential construction activity.** However, the dropoff from record levels of activity should not be severe. Elsewhere, the decline in building activity may be more pronounced in conjunction with trends in overall economic growth.

The Commonwealth should continue to hold its own relative to the U.S. At the same time, while Pennsylvania has performed more in line with the U.S. of late, little progress has been made in terms of reversing several years of relatively large shortfalls. **The past several years of economic recovery have benefitted Pennsylvania greatly.** Service-producing activity has grown considerably while a more efficient goods-producing sector has emerged. An offshoot of this is that **the Commonwealth should be in slightly better shape than has previously been the case to weather the next economic downturn, whenever it does arrive.**

— William D. Anderson

Around the State

Northeastern Quarter

Allentown-Bethlehem

Economic conditions continued to improve in the Allentown-Bethlehem metropolitan area in 1988, in line with results in most other regions of Pennsylvania. The Lehigh Valley economy is growing at a fairly healthy and sustainable pace, but it is far from booming.

The fact that the region's manufacturers continue to reduce payrolls remains a sore spot. Factory jobs fell 1.2 percent in 1988 to 76,200, a new low and the fourth consecutive decline. The loss was concentrated in the electronics and transportation equipment categories on the durable goods side. Nondurable goods jobs rose by 600 as increases in printing and publishing and chemicals offset continued problems in the textile and apparel industries. Not all of the factory news is bad. Both the average workweek and industrial power sales rose for the fifth time in six years, suggesting that the job numbers may present an overly pessimistic picture.

The dollar value of construction contract awards rose on both the residential (13 percent over 1987 levels) and nonresidential (up 66 percent) sides. Jobs in the building industries rose by 1,400. Information on housing permit authorizations is not yet available to see if rapid growth rates

Allentown-Bethlehem Area[1]

	Ave. mo. value 4 Q '88	Average monthly index seas. adj. (1977 = 100) 4 Q '88	3 Q '88	4 Q '87
Employment *(in thousands)*				
Employed, no. of residents	309.6	113	113	112
Unemployed, no. of residents	12.6	68	69	82
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	322.2	110	110	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	280.3	109	108	106
Nonmfg. only, no. of jobs	203.7	136	134	132
Mfg. only, no. of jobs	76.6	71	71	71
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	105	104	105
Industrial electric power sales				
Metropolitan area	***	112	113	112
Allentown	***	98	99	101
Bethlehem	***	124	122	120
Easton	***	113	117	112
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	411.4	+13		
Nonresidential contracts only	243.9	+66		

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

continued into 1988. The gain in residential contract awards is off slightly from previous years, so some slowing may have occurred.

Nonmanufacturing jobs were up 3.2 percent, slightly higher than the Statewide gain. The 200,100 positions in these establishments represent another record. Gains were concentrated in the services industries where job levels were up 3,300 from 1987. Retail trade supplied 1,100 more jobs. This strength pushed total nonfarm jobs up 2 percent last year, slightly below the State's 2.5 percent advance. Only three other metro areas realized smaller percentage gains.

Resident employment rose 1.9 percent in 1988 to a new record, 307,800. This fell 0.5 percentage point below the Statewide advance. It did pave the way for a reduction in the jobless rate from 5 percent to 4.4 percent, the lowest reading since 1974. Over that 14-year period, employment growth in the region has been slightly less than in Pennsylvania but only about one-third of that for the nation as a whole. This example is illustrative of overall trends. While great strides have been made, the region has not turned in an especially impressive performance when all of the pluses and minuses of the past several years are averaged out.

Trends in 1988 conformed well with those we expected a year ago. Growth continued, but did not soar. This year promises to bring more of the same. External developments on the trade and credit fronts are likely to result in a slight slowdown in overall economic growth. However, the region is expected to proceed through 1989 recession-free and with a minimal amount of damage.

Scranton-Wilkes-Barre

Good news dominated the economic landscape in the Scranton-Wilkes-Barre metropolitan area in 1988 as improvement was recorded on several fronts. These general trends should continue although some slowing is likely if growth, as expected, softens a bit nationwide.

Last year's strength is evident in labor force trends. The jobless rate dropped from 6.9 percent to 6 percent, its fifth consecutive fall. Employment rose by 9,200 for the year to another record high of 332,500. The 2.8 percent employment advance turned in by the region compares rather favorably with the 2.4 percent gain recorded Statewide. The 21,400 residents officially listed as unemployed in 1988 represents the lowest reading on record, dating back to 1974.

The news was also positive with respect to nonfarm job growth. Throughout the course of the recovery, growth has consistently been slightly higher in the metro area relative to Pennsylvania. Average annual growth over the 1983-1987 period was 0.2 percentage point greater than in the State. In 1988, the region's 2.6 percent job gain was 0.1 percent higher than in the Commonwealth.

Nonagricultural job growth continues to be fueled by nonmanufacturing. These industries increased employment 3.7 percent in 1988 to 225,200, another new record. Statewide, growth was 2.9 percent. Only mining lost jobs last year. Gains ranged from 400 positions in the government and finance sectors to 4,200 in services. Construction added 800 jobs. In light of one of the largest advances in residential contract awards in recent years, it is likely that the region continued a string of impressive performances with respect to housing permit authorizations. Residential building growth appears to have been especially impressive in Monroe County in previous years (data is not available for 1988). Elsewhere in the region, growth appears to have been a bit more erratic.

Although losses seem to be lessening, the region's factories have yet to see the reversal in job growth evident Statewide where jobs were up 1 percent in 1988. Within the five-county area, jobs were off 0.7 percent on the heels of a 1.7 percent decline in 1987. The region's two largest manufacturers, apparel and fabricated metals, lost 700 and 100 jobs, respectively.

Despite the apparent weakness in the region's factories, economic growth remains on par with the State as a whole. However, that does not mean that problems are nonexistent. The area's jobless rate stood well above the State's 5.1 percent reading in 1988. Of the 14 other metro areas in the Commonwealth, ten had lower unemployment rates.

Williamsport

Lycoming County's economy turned in a stellar performance last year. Further gains are probable as 1989 unfolds, though it is unlikely that the gains of the past two years will be matched. Signs of a slowdown may be found in last year's trends. During the first quarter, nonfarm jobs were up by 3,900 compared to a year earlier. Jobs were up only 1,900 during the fourth quarter. Still, for the year, establishment jobs were 5.8 percent higher than in 1987. This represents the second highest gain among the State's 15 metro areas.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '88	*4 Q '88*	*3 Q '88*	*4 Q '87*
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	336.5	118	118	116
Lackawanna County[2]	103.4	114	114	112
Luzerne County[3]	149.6	112	112	110
Unemployed, no. of residents				
Metropolitan area	19.4	65	69	76
Rate, seasonally adjusted	5.7			
Lackawanna County[2]	5.1	59	60	70
Luzerne County[3]	10.3	68	71	79
Civilian labor force, no. of residents				
Metropolitan area	355.9	113	113	112
Lackawanna County[2]	108.5	109	108	108
Luzerne County[3]	160.0	108	108	107
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	302.0	115	114	112
Nonmfg. only, no. of jobs	230.2	129	127	124
Mfg. only, no. of jobs	71.3	86	85	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.9	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	113	112	113
Lackawanna County[2]	***	124	127	124
Luzerne County[3]	***	99	96	100
Hazleton	***	88	86	94
Wilkes-Barre	***	108	101	104
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	349.2	+ 37		
Nonresidential contracts only	159.7	+ 1		

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

Leading the way was nonmanufacturing with 36,400 positions. There were 2,500 more jobs compared to 1987. The services and trade industries accounted for 75 percent of the new jobs as both rose to record highs. Construction jobs held steady, though the increases in the value of contract awards suggest that activity continued to rise.

Manufacturing continued outperforming the State with respect to job growth in the region. The 16,600 jobs in these industries, the highest total for the decade, represent a gain of 2.5 percent. While jobs have only recently begun a slow climb in the State, they have advanced in four of the past five years in the Williamsport area. Last year's gains were concentrated in the durable goods industries, especially in transportation equipment. The 15 percent gain in industrial power sales, a rough indicator of production trends, is probably misleading as there were some abnormalities in the first quarter data. Even discounting that three month period, however, gains were still recorded. The factory workweek, a leading indicator of hiring activity, fell considerably in the

Williamsport Area[1]

	Ave. mo. value 4 Q '88	Average monthly index seas. adj. (1977 = 100) 4 Q '88	3 Q '88	4 Q '87
Employment *(in thousands)*				
Employed, no. of residents	58.6	124	124	121
Unemployed, no. of residents	3.0	74	72	77
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	61.6	120	120	117
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	54.0	116	116	112
Nonmfg. only, no. of jobs	37.6	132	130	123
Mfg. only, no. of jobs	16.4	92	92	94
Hrs. worked by production workers in mfg., *ave. weekly*	40.7	104	107	107
Industrial electric power sales	***	92	102	91

Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd
Residential contracts only	27.3	+22
Nonresidential contracts only	18.1	+59

[1]Lycoming County

	Allentown-Bethlehem			Altoona			Beaver		
	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	276.4	271.1	2.0	52.1	50.9	2.4	51.7	50.9	1.6
Manufacturing	76.2	77.1	-1.2	11.3	11.3	0.0	9.5	9.8	-3.1
Durable goods	34.7	36.1	-3.9	4.1	4.2	-2.4	7.3	7.6	-3.9
Nondurable goods	41.5	40.9	1.5	7.2	7.1	1.4	2.1	2.2	-4.5
Nonmanufacturing	200.1	193.9	3.2	40.8	39.6	3.0	42.2	41.0	2.9
Ave. wkly. hours worked by production workers									
Manufacturing	40.0	39.8	0.5	40.6	39.4	3.0	42.2	41.6	1.4
Durable goods	41.9	41.3	1.5	41.5	39.1	6.1	42.5	41.6	2.2
Nondurable goods	38.4	38.5	-0.3	40.1	39.6	1.3	40.9	41.3	-1.0
Industrial electric power sales index (1977 = 100)	112.4	108.7	3.4	77.5	77.3	0.3			
Employment of Residents									
Employed, no. of persons (thous.)	307.8	302.0	1.9	56.0	54.6	2.6	57.4	56.3	2.0
Unemployed									
No. of persons (thous.)	14.2	16.0	-11.3	4.1	4.2	-2.4	5.5	6.1	-9.8
Rate (percentage of labor force)	4.4	5.0		6.8	7.2		8.7	9.8	
Civilian labor force, no. of persons (thous.)	322.0	318.1	1.2	60.1	58.8	2.2	63.0	62.4	1.0

	Erie			Harrisburg-Lebanon-Carlisle			Johnstown		
	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	112.7	110.4	2.1	300.6	293.4	2.5	79.3	77.9	1.8
Manufacturing	34.8	34.5	0.9	52.6	52.0	1.2	13.2	12.9	2.3
Durable goods	23.3	23.2	0.4	25.0	23.8	5.0	7.8	7.5	4.0
Nondurable goods	11.4	11.2	1.8	27.6	28.2	-2.1	5.5	5.4	1.9
Nonmanufacturing	77.9	75.7	2.9	247.9	241.4	2.7	66.1	64.9	1.8
Ave. wkly. hours worked by production workers									
Manufacturing	43.0	41.3	2.6	39.9	39.9	0.0	39.7	39.1	1.5
Durable goods	42.4	41.0	3.4	41.0	41.0	0.0	42.5	41.7	1.9
Nondurable goods	44.1	43.8	0.7	39.0	39.1	-0.3	35.6	35.4	0.6
Industrial electric power sales index (1977 = 100)	116.6	108.5	7.5	92.0	83.3	10.4	186.5	169.4	10.1
Employment of Residents									
Employed, no. of persons (thous.)	120.7	118.1	2.2	306.5	298.7	2.6	87.5	85.8	2.0
Unemployed									
No. of persons (thous.)	7.9	9.2	-14.1	12.7	12.8	-0.8	7.0	7.8	-10.3
Rate (percentage of labor force)	6.1	7.2		4.0	4.1		7.4	8.3	
Civilian labor force, no. of persons (thous.)	128.6	127.3	1.0	319.3	311.5	2.5	94.5	93.6	1.0

second half of the year. Hence, trends merit watching as 1989 unfolds.

These positive trends in just about every sector of the economy translate into a solid showing with respect to employment/unemployment. A new record was set as 58,000 residents were counted as employed in 1988. The 6 percent gain over 1987 is more than twice that for the State as a whole. As a result, the jobless rate fell 0.4 percentage point to 5.2 percent, its lowest reading in 15 years. Impressive growth occurred in the labor force which rose 5.5 percent from 1987. The labor force tends to move positively with economic conditions, contracting when job opportunities are minimal but expanding during prosperous times. During the 1983-1987 period, labor force growth averaged 1.7 percent per year in Lycoming County. Statewide, growth averaged 0.6 percent. In 1988, growth compared quite favorably with the 1.8 percent increase for Pennsylvania.

Southwestern Quarter

Altoona

Blair County's economy displayed trends that were nearly identical to those Statewide during 1988, just as it has been doing for the past several years. Hence, it appears that over both the short- and long-term, the region has turned in a satisfactory performance, but one that leaves some room for improvement. It is likely that a similar scenario will unfold in 1989, assuming that growth nationwide continues.

The jobless rate fell 0.4 percentage point to 6.8 percent. This is its lowest reading since 1974, but still 1.7 percentage points above Statewide norms. At a record high of 56,000, resident employment was up 1,400 from 1987. This advance was strong enough to absorb an increase in the labor force of 1,300 and reduce the volume of unemployment by 100. Employment growth since the recovery began has been 14.5 percent in Blair County, 2.5 percentage points greater

	Lancaster			Philadelphia			Pittsburgh		
	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	185.1	179.0	3.4	2,188.5	2,146.4	2.0	866.2	852.7	1.6
Manufacturing	59.5	60.0	-0.8	372.7	374.6	-0.5	125.1	123.6	1.2
Durable goods	34.5	34.4	0.3	197.5	198.5	-0.5	89.6	87.9	1.9
Nondurable goods	25.0	25.5	-2.0	175.1	176.0	-0.5	35.6	35.7	-0.3
Nonmanufacturing	125.5	118.9	5.4	1,815.0	1,771.4	2.5	740.9	728.8	1.7
Ave. wkly. hours worked by production workers									
Manufacturing	40.6	40.3	0.7	40.5	40.7	-0.5	42.2	41.9	0.7
Durable goods	41.6	41.3	0.7	41.7	41.7	0.0	42.7	42.5	0.5
Nondurable goods	39.5	39.2	0.8	39.2	39.6	-1.0	40.6	40.3	0.7
Industrial electric power sales index (1977 = 100)	139.4	135.2	3.1	110.5	105.9	4.3	63.4	59.5	6.6
Employment of Residents									
Employed, no. of persons (thous.)	210.2	202.9	3.6	2,320.3	2,281.6	1.7	899.9	883.5	1.9
Unemployed									
No. of persons (thous.)	7.7	8.1	-4.9	99.5	105.3	-5.5	55.2	63.4	-12.9
Rate (percentage of labor force)	3.5	3.8		4.1	4.4		5.8	6.7	
Civilian labor force, no. of persons (thous.)	217.9	211.0	3.3	2,419.9	2,386.9	1.4	955.0	947.0	0.8

	Reading			Scranton-Wilkes-Barre			Sharon		
	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	153.7	147.3	4.3	296.4	288.9	2.6	43.0	40.4	6.4
Manufacturing	49.2	48.0	2.5	71.0	71.5	-0.7	10.6	9.6	10.4
Durable goods	30.4	28.9	5.2	28.7	29.0	-1.0	9.3	8.2	13.4
Nondurable goods	18.8	19.0	-1.1	42.4	42.6	-0.5	1.4	1.4	0.0
Nonmanufacturing	104.3	99.3	5.0	225.2	217.2	3.7	32.3	30.8	4.9
Ave. wkly. hours worked by production workers									
Manufacturing	41.0	41.2	-0.5	38.8	38.9	-0.3	41.5	41.8	-0.7
Durable goods	41.8	42.0	-0.5	40.3	41.5	-2.9	42.1	42.3	-0.5
Nondurable goods	39.5	40.0	-1.3	37.9	37.3	1.6	37.3	38.4	-2.9
Industrial electric power sales index (1977 = 100)	139.1	134.7	3.3	112.3	110.2	1.9	116.7	105.1	11.0
Employment of Residents									
Employed, no. of persons (thous.)	169.1	161.7	4.6	332.5	323.3	2.8	48.3	45.4	6.4
Unemployed									
No. of persons (thous.)	7.6	8.3	-8.4	21.4	24.1	-11.2	2.6	3.3	-21.2
Rate (percentage of labor force)	4.3	4.9		6.0	6.9		5.1	6.7	
Civilian labor force, no. of persons (thous.)	176.7	170.0	3.9	353.8	347.4	1.8	50.9	48.7	4.5

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	56.4	108	107	106
Unemployed, no. of residents	3.8	103	110	116
Rate, seasonally adjusted	6.5			
Civilian labor force, no. of residents	60.1	108	107	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	52.7	103	101	100
Nonmfg. only, no. of jobs	41.5	108	107	105
Mfg. only, no. of jobs	11.3	87	84	87
Hrs. worked by production workers in mfg., *ave. weekly*	41.0	108	106	103
Industrial electric power sales	***	78	77	79
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	28.8	+ 85		
Nonresidential contracts only	45.8	+129		

[1]Blair County

than in Pennsylvania. However, growth since 1979 is only one-half of the gain recorded Statewide. This suggests that the region was especially hard-hit by the recessions of the early 1980s.

Growth in nonfarm jobs slowed somewhat in 1988. Last year's 2.4 percent advance came on the heels of a 2.8 percent gain in 1987. Furthermore, nonagricultural job growth averaged 0.5 percentage point higher per year than growth Statewide during the 1983-1987 period. In 1988, establishment job growth was 0.1 point less than in the Commonwealth. At a record high of 40,800, nonmanufacturing jobs in Blair County rose 3 percent last year. Statewide, a 2.9 percent advance was registered. Construction jobs were essentially unchanged from 1987, though solid gains in the value of contract awards suggest that activity expanded during the year. The service-producing industries accounted for all new jobs last year. Retail trade and services led the way, each with 400 additional positions.

In terms of new jobs, the factory sector continues to add very little to overall growth in Blair County. At 11,300, factory positions in 1988 were unchanged from the previous year. Jobs have held relatively steady in a narrow band since the onset of economic recovery in the early 1980s. However, the average factory workweek rose to a new record in settling at 40.6 hours. Such a trend may help prop up job levels in the coming months. Industrial power sales, a proxy for production activity, have been on an upward track for two years. Still, one must go back to the late 1960s to find a period in which sales have been as low as they have been in recent years.

Johnstown

Last year brought with it a continuation of growth in the Cambria/Somerset County economy, just as predicted a year ago. However, trends are still unimpressive when compared to those Statewide.

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	87.7	91	91	91
Unemployed, no. of residents	6.0	62	69	76
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	93.7	88	89	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	80.0	91	90	90
Nonmfg. only, no. of jobs	66.7	100	99	99
Mfg. only, no. of jobs	13.2	63	62	62
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	102	100	103
Industrial electric power sales	***	186	194	185
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	55.6	+36		
Nonresidential contracts only	36.5	+14		

[1]Cambria and Somerset Counties

	State College			Williamsport			York		
	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88	1988	1987	Percentage Change 87-88
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	55.0	52.9	4.0	53.0	50.1	5.8	176.1	169.2	4.1
Manufacturing	7.6	7.3	4.1	16.6	16.2	2.5	60.7	58.3	4.1
Durable goods	5.2	5.0	4.0	10.5	10.0	5.0	37.9	36.2	4.7
Nondurable goods	2.5	2.4	4.2	6.1	6.2	-1.6	22.8	22.1	3.2
Nonmanufacturing	47.4	45.6	3.9	36.4	33.9	7.4	115.4	110.9	4.1
Ave. wkly. hours worked by production workers									
Manufacturing	40.5	39.2	3.3	41.2	41.4	-0.5	42.6	42.6	0.0
Durable goods	41.3	40.4	2.2	42.2	42.3	-0.2	43.3	43.5	-0.5
Nondurable goods	37.5	37.1	1.1	39.5	40.0	-1.3	41.4	41.3	0.2
Industrial electric power sales index (1977 = 100)	128.9	117.5	9.7	98.8	85.8	15.2	123.4	115.2	7.1
Employment of Residents									
Employed, no. of persons (thous.)	58.7	56.3	4.3	58.0	54.7	6.0	207.6	199.0	4.3
Unemployed									
No. of persons (thous.)	3.2	3.3	-3.0	3.2	3.2	0.0	9.2	9.5	-3.2
Rate (percentage of labor force)	5.2	5.5		5.2	5.6		4.2	4.6	
Civilian labor force, no. of persons (thous.)	61.9	59.6	3.9	61.2	58.0	5.5	216.8	208.5	4.0

NOTE: All 1988 data are preliminary and are subject to revision.
All data are average of monthly figures.

The best news is found in the factory sector where signs of a turnaround continue to dominate. In rising 2.3 percent, factory jobs surpassed the 13,000-mark for the first time since 1982. Throughout Pennsylvania, manufacturing jobs rose 1 percent. Primary metals led the way with 300 new positions. Other positive signs are found in the increases in the average workweek and in electricity sales to industrial customers.

Despite this relatively strong showing, overall nonfarm job growth came in at just 1.8 percent. This does not compare too favorably with the 2.5 percent advance recorded Statewide. The culprit for this lackluster performance is found in nonmanufacturing. These industries increased employment 1.8 percent in 1988 whereas it rose 2.9 percent throughout Pennsylvania. Still, the 66,100 jobs in these establishments represent the highest reading since 1980. Statewide, these industries are employing record numbers. Construction seems to be doing its fair share. While jobs are holding steady, activity appears to be on the rise, as evidenced by solid increases in contract awards. The services industries accounted for 800 additional positions in 1988.

Similar trends are found with respect to resident employment growth. The 2 percent gain in the region falls short of the advance recorded in the Commonwealth. Nonetheless, at 87,500, the number of residents counted as employed represent the highest total since 1981. The jobless rate dropped 0.9 percentage point to 7.4 percent, the lowest reading in nearly 15 years. The long-run decline, however, is the result of a net decrease in the labor force. Employment is actually down compared to readings from the mid-1970s.

Still, the region's short-term improvement should not be minimized. This improvement is apparent in the growth in the labor force which tends to mirror overall economic conditions. After declining at a 1.8 percent annual rate over the 1983-1987 period, the bi-county labor force grew 1 percent in 1988. Additionally, 1989 is likely to bring with it further good news on the economic front. As has been the case in the past, however, it is unlikely that the region will be able to make up a significant portion of the ground lost earlier in the decade. The degree of improvement is again very much dependent upon the factory sector. Unfortunately, the slowdown in the improvement on the trade front may result in slightly slower growth in these industries.

Pittsburgh-Beaver Valley

Economic activity continued to expand in the five counties comprising the Pittsburgh-Beaver Valley metropolitan region in 1988. It appears that growth picked up a notch compared to recent years. However, the region continues to lag Statewide trends with respect to economic activity, though some narrowing of the gap may have occurred.

This year should result in a continuation of the recovery. Growth nationwide will result in further expansion in the local economy. At the same time, the consensus is that growth in the U.S. will slow a bit. Given the impacts of national trends on regional growth, much the same is expected in western Pennsylvania.

Resident employment rose for the fifth straight year in the Pittsburgh metro area and for the first time since 1979 in Beaver County. While the State maintains record levels of employment, the region is struggling to match pre-recession-

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	903.2	103	104	103
Beaver County	57.9	68	68	66
Unemployed, no. of residents				
Pittsburgh[1]	47.1	81	82	97
Beaver County	4.7	76	83	92
Unemployment Rate, seas. adj.				
Pittsburgh[1]	5.4			
Beaver County	7.9			
Civilian labor force, no. of residents				
Pittsburgh[1]	950.4	102	102	102
Beaver County	62.6	68	69	68
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	877.0	100	99	99
Beaver County	52.5	69	68	67
Nonmfg. only, no. of jobs				
Pittsburgh[1]	751.9	114	113	113
Beaver County	43.4	114	112	108
Mfg. only, no. of jobs				
Pittsburgh[1]	125.1	57	57	57
Beaver County	9.1	25	24	26
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	42.5	n.a.	n.a.	n.a.
Beaver County	42.7	n.a.	n.a.	n.a.
Industrial electric power sales	***	66	66	65
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	558.1	+24		
Beaver County	23.8	+63		
Nonresidential contracts only				
Pittsburgh[1]	589.1	+ 4		
Beaver County	17.5	+ 7		

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

ary highs. In the Pittsburgh portion of the metro area, the jobless rate sank to its lowest reading on record dating back to 1975, 5.8 percent. In Beaver County, the rate settled at 8.7 percent, its lowest since 1981. However, in both situations the long-term drop in joblessness has been helped along by downward pressure on the labor force. Annual labor force declines averaging 1.2 percent in Pittsburgh and 5.5 percent in Beaver County were turned in over the 1983-1987 period before 1988's relatively small gains.

A turnaround in the all-important manufacturing industries with respect to job growth in the Pittsburgh region in 1988 was welcome. In rising 1.2 percent, these industries increased the number on payroll for the first time since 1979. There were 125,100 jobs in these establishments. Encouraging performances were turned in by primary and fabricated metals establishments. Such good news is not found in Beaver County as manufacturing payrolls dropped by another 3.1 percent in 1988, the eighth decline in the past nine years.

Nonmanufacturing continued to provide the bulk of all new jobs as they employed record numbers. In absolute terms, the gains worked out to 12,100 new jobs in Pittsburgh and 1,200 in Beaver County. The big gainers are found in the service-producing categories. Service establishments added 10,900 in the Pittsburgh area and 600 in Beaver County. Retail trade added 1,300 in Pittsburgh but lost 100 jobs in Beaver County.

Growth in construction activity appears to be slowing. Although the value of contract awards for residential projects were up, preliminary estimates indicate that the number of housing units authorized by permit held steady at 5,700. Nonresidential contract values were up only minimally and preliminary estimates of the number of new nonresidential projects authorized by permit show only a slight rise.

The end result of these trends in the nonfarm sector was a 1.6 percent gain in establishment jobs in both the Pittsburgh and Beaver County portions of the region. While such a performance falls 0.9 percentage point below the Statewide advance, it is better than in previous years. During the 1983-1987 period, average annual job growth was 4.4 percentage points lower than in Pennsylvania in Beaver County and 1.6 points lower in Pittsburgh.

State College

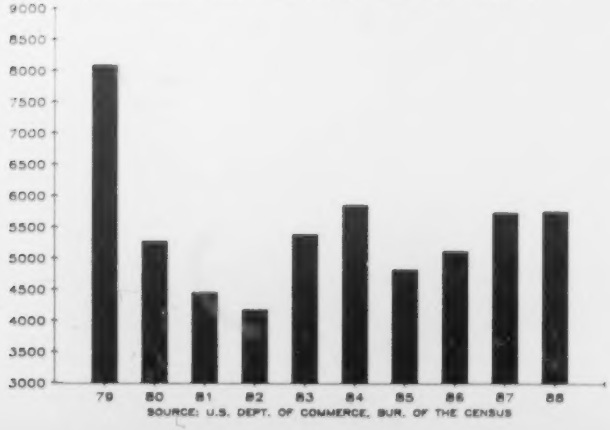
The news appears to be consistently good on just about all fronts with respect to trends in the Centre County economy in 1988. If anything, growth picked up a bit in the fourth quarter, easing fears of a slowdown which surfaced in the previous three months. Perhaps the lone question mark is the construction sector, especially on the residential side. However, even here, activity probably held steady as opposed to registering a significant decline.

A 3.9 percent job gain was registered for nonmanufacturing as a whole. This represents one of the strongest advances in the State and is well ahead of the 2.9 percent increase for the Commonwealth. The 47,400 positions maintained in these establishments last year represent another record high. The service sector, in adding 600 new jobs, along with a gain of 700 positions in State government, accounted for the bulk of the advance.

The 4.1 percent gain in manufacturing jobs was even larger than in nonmanufacturing. However, given the relatively small number of workers in these establishments, 7,600, this works out to an absolute gain of only 300. Nonetheless, given the problems facing these industries in recent years, even the smallest of job gains is welcome. Measures of production trends such as hours worked and industrial power sales also turned in solid gains in 1988.

These trends resulted in continued improvement in the employment/unemployment picture. The 58,700 residents employed in the metro area translates into another record high. This total is up 4.3 percent from 1987 levels, well ahead of the 2.4 percent gain for Pennsylvania as a whole. The region's 5.2 percent unemployment rate, slightly higher than in the State, is kept relatively high by the strong gains in the labor force in response to the overall solid economy. Indeed, over the course of the 1983-1987 period, labor force growth averaged 2.3 percent per year, nearly four times the increase averaged Statewide. Last year's 3.9 percent gain was more than twice the Commonwealth's advance. Continued improvement in employment and unemployment, as well as in other indicators of the economy's health, is likely in 1989. Furthermore, it is highly probable that Centre County will continue to realize gains in excess of those recorded for Pennsylvania as a whole.

PITTSBURGH-BEAVER VALLEY METRO AREA
HOUSING UNITS AUTHORIZED BY PERMIT



SOURCE: U.S. DEPT. OF COMMERCE, BUR. OF THE CENSUS

Northwestern Quarter

Erie

Although problems still remain, economic conditions improved considerably in Erie County during 1988. For the first time in several years, the area turned in a performance which was essentially on par with the Commonwealth's. Healthy growth should continue, especially through the first half of 1989. Even if growth slows in the second half, as it is expected to do nationwide, it is doubtful that it will result in significant declines in activity.

At 2.2 percent, resident employment growth in 1988 was off only slightly from the State's 2.4 percent. Last year's 120,700 residents officially listed as employed represent a new record, eclipsing the old mark from 1979. Pennsylvania employment has stood at a record since 1985. However, the fourth quarter did bring with it a noticeable slowdown in employment growth with a year-over-year gain of 1,000. During the first three quarters, gains ranged from 2,000 to 4,800. As a result of this fairly strong showing, the jobless rate fell 1.1 percentage points to 6.1 percent, the lowest it has been since 1974. However, employment growth in the Erie metro area over that 14-year period has been only about one-half the gain recorded Statewide.

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	61.0	143	141	137
Unemployed, no. of residents	3.1	112	121	124
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	64.1	141	139	136
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	57.7	138	134	131
Nonmfg. only, no. of jobs	50.0	142	137	134
Mfg. only, no. of jobs	7.7	121	118	115
Hrs. worked by production workers in mfg., *ave. weekly*	40.0	n.a.	n.a.	n.a.
Industrial electric power sales	***	135	130	122

Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd
Residential contracts only	66.5	+12
Nonresidential contracts only	56.8	+82

[1]Centre County

As has been the case for several years, the region's employment gains were fueled by the nonmanufacturing sector. All told, jobs in these industries rose from 75,700 in 1987 to 77,900 in 1988. This translates into a 2.9 percent gain, identical to that recorded Statewide. The gains were concentrated in the service industries where jobs rose by 1,700. Construction jobs rose by 200 for the year, but small increases in contract awards suggest that growth in real activity was probably minimal in 1989.

While these industries continued a string of satisfactory performances, factory job levels rose for only the third time this decade. While the 34,800 positions maintained in these establishments represent a gain of 300 over 1987, little was done to offset losses in earlier years. In 1979, the region maintained 44,700 factory positions. Declines elsewhere partially offset gains in the County's three largest manufacturing industries: machinery/transportation equipment (400), fabricated metals (300), and rubber/plastics (500). Solid gains in industrial power sales and in the average workweek also point to a firming in manufacturing's fortunes.

Despite these positive trends, total nonfarm job growth, at 2.1 percent in 1988, was still 0.4 percentage point less than in the State as a whole. This does, however, represent a slight improvement over the 1983-1987 period when the shortfall averaged 0.6 point per year.

Sharon

It has been pointed out that the Mercer County economy required renewed health in the factory sector for overall economic growth to move forward at a healthy pace. Such a development happened in 1988. After declining almost nonstop since 1979, manufacturing jobs rose by 1,000 last year. This translates into a 10.4 percent advance, leaving job levels at 10,600, the highest since 1984. All of the gain is accounted for by durable goods manufacturers. Statewide, a much smaller 1 percent gain was recorded. An 11 percent uptick in electricity sales to industry also reflects strength in the factory sector.

At the same time, nonmanufacturers increased payrolls at the fastest clip in more than a decade as jobs rose 4.9 percent. Only three of the 14 other metro areas realized larger gains. Four-fifths of the increase occurred in the service and retail trade industries as each rose to a record high. Construction jobs rose by 100 and contract awards were up considerably on the residential side. In the nonresidential category, the value of contract awards tumbled 73 percent.

As a result of these gains, the region recorded a 6.4 percent advance in total nonagricultural jobs, the strongest in the State. This left employment in these establishments at 43,000. This is still well below pre-recessionary readings. Hence, while the short-term news has been extremely positive, the long-term performance of the economy leaves a good deal to be desired.

A similar gain of 6.4 percent was turned in with respect to resident employment. This is more than double the increase Statewide. The 48,300 residents counted as employed falls below levels from the late 1970s and early 1980s. Nonetheless, 1988's strong showing reduced the jobless rate 1.6 percentage points to 5.1 percent. This is the largest drop among the State's 15 metro regions and the lowest the rate has been since 1970. This year should bring continued good news with respect to employment, unemployment, and overall economic conditions. The expected first-half strength nationwide in manufacturing should contribute to the health of these industries in Mercer County. However, it is quite likely that overall growth will slow a bit and 1988's strong showing will not be repeated to the same degree.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Last year marked a continuation of the economic recovery in the four counties of the Harrisburg-Lebanon-Carlisle metro region. However, growth slowed a bit and the area performed more in line with the State as a whole. Similar news is expected for 1989. The days when much of southeastern Pennsylvania outperformed the State as a whole by wide margins appear to be, at least temporarily, in the past.

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	122.2	109	109	108
Unemployed, no. of residents	6.8	79	85	98
Rate, seasonally adjusted	5.7			
Civilian labor force, no. of residents	129.0	106	107	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	114.2	103	102	101
Nonmfg. only, no. of jobs	80.0	117	116	114
Mfg. only, no. of jobs	35.0	82	81	81
Hrs. worked by production workers in mfg., *ave. weekly*	43.6	105	104	103
Industrial electric power sales	***	120	115	115
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	66.9	+ 14		
Nonresidential contracts only	58.9	+ 4		

[1]Erie County

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	49.4	102	101	98
Unemployed, no. of residents	2.2	60	69	75
Rate, seasonally adjusted	4.7			
Civilian labor force, no. of residents	51.6	99	98	96
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	44.4	97	96	91
Nonmfg. only, no. of jobs	33.5	114	112	108
Mfg. only, no. of jobs	10.8	67	66	61
Hrs. worked by production workers in mfg., *ave. weekly*	43.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	120	117	106
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	17.8	+ 105		
Nonresidential contracts only	12.1	- 73		

[1]Mercer County

The number of residents in the region officially counted as employed in 1988 rose 2.6 percent in cracking the 300,000-mark for the first time. This gain is in line with the increase recorded Statewide and is down from the 3.3 percent increase averaged over the 1983-1987 period. Partly as a result of continued employment strength, the jobless rate fell 0.1 percentage point to 4 percent, its lowest reading since record keeping began in 1975. The region appears to be approaching the "full-employment" zone, if it is not already there.

Strong economic conditions are typically reflected in healthy growth in the labor force. During the 1983-1987 period, labor force growth averaged 2.1 percent each year in the metro area. This is more than three times the increase averaged in Pennsylvania. Last year, the labor force grew 2.5 percent compared to 1.8 percent Statewide.

Local nonfarm establishments were home to 300,600 jobs in 1988, another new record. This is up 2.5 percent from 1987, identical to the Statewide gain. Job growth totaled 3.7 percent in 1987, providing further evidence that growth slowed in 1988.

Manufacturing continued to hold its own. A 10.4 percent increase in industrial power sales suggests that production activity was healthy. Jobs rose for the second straight year. At 52,600, they were up 1.2 percent from 1987. The gain was concentrated in durable goods industries. The two largest hard-goods industries, electronic equipment and primary and fabricated metals, turned in gains of 500 and 300, respectively. While trends over the past several years have reduced factory jobs by 11 percent from pre-recessionary readings, the region has not been as adversely impacted as the State as a whole where the decline has been more than twice as pronounced.

The news remains positive in nonmanufacturing where jobs rose 2.7 percent last year in reaching 247,900, a new record. A slowdown in growth is evident as the gain is down from a 3.8 percent advance in 1987. Services and retail trade, added 2,400 and 900 jobs, respectively, in 1988. Last year was the first time since 1978 that nonmanufacturing job growth was stronger in the Commonwealth (a 2.9 percent gain) than in the metro area.

Lancaster

Economic activity continued to grow at an above-average pace in Lancaster County during 1988. Additionally, while some indicators suggest that growth may have slowed slightly from the 1987 pace, Statewide norms were again surpassed. For example, over the 1983-1987 period, nonfarm job growth averaged 4 percent annually in the metropolitan area, nearly 2 percentage points greater than in Pennsylvania. In 1988, establishment job gains totaled 3.4 percent compared to 2.5 percent in the Commonwealth.

Nonmanufacturing continued a string of record-setting performances with respect to job growth. The 125,300 positions maintained in these establishments represent a gain of 5.4 percent over 1987. This is almost double the advance throughout the Commonwealth. The bulk of these job gains came in the service-producing industries where payrolls expanded by 5,500. Construction also made a contribution as jobs rose by 900. Although no hard data are yet available, increases in the value of contract awards suggest that real building activity held its own.

Factory jobs fell by 500 after two straight years of advances in settling at 59,500. All of the decline occurred on the nondurables side, especially in the food products and apparel industries. On a more positve note, the average factory workweek rose to its second highest reading on record. Also, industrial power sales, a proxy for production trends, remained on an upward track.

Lancaster County's jobless rate dropped for the sixth consecutive year. At 3.5 percent, it remained the lowest among the State's 15 metro areas and was down from 3.8 percent from the previous year. Last year's decline was fueled by a gain of 7,300 in the number of residents officially listed as employed. This gain helped absorb a net inflow into the labor force totaling 6,900 and reduced the volume of unemployment by 400.

The 1989 outlook calls for a continuation of the current economic recovery which began in the early 1980s. At the same time, the region is expected to follow national trends and growth will slow a bit. It is quite unlikely that the growth

Harrisburg-Lebanon-Carlisle Area[1]

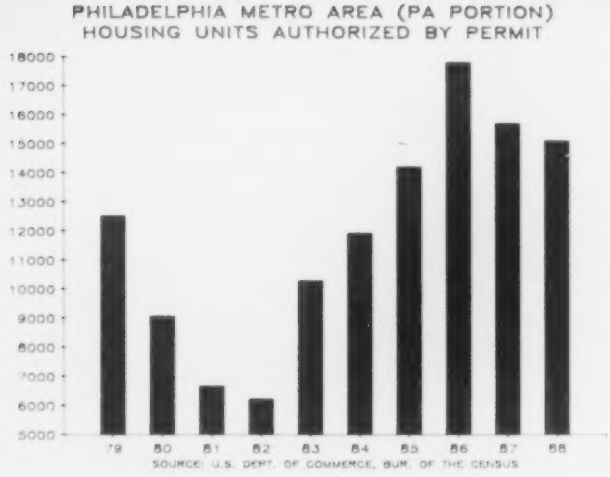
	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	306.8	122	122	121
Unemployed, no. of residents	11.8	83	88	86
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	318.6	120	120	119
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	302.4	123	122	121
Nonmfg. only, no. of jobs	250.9	130	129	127
Mfg. only, no. of jobs	52.8	96	97	97
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	88	90	94
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	250.7	+17		
Nonresidential contracts only	235.2	−20		

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	211.5	134	134	132
Unemployed, no. of residents	7.5	90	91	104
Rate, seasonally adjusted	3.5			
Civilian labor force, no. of residents	219.1	132	132	130
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	188.1	132	131	128
Nonmfg. only, no. of jobs	128.9	150	148	144
Mfg. only, no. of jobs	59.2	105	105	105
Hrs. worked by production workers in mfg., *ave. weekly*	41.5	103	102	102
Industrial electric power sales	***	138	141	139
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	275.9	+19		
Nonresidential contracts only	90.2	+ 8		

[1]Lancaster County



rates recorded earlier in the recovery will be repeated anytime soon. Still, growth will remain positive and the region stands out as a top performer over the course of this recovery.

Philadelphia

Last year brought with it a continuation of economic recovery in the Philadelphia metropolitan area. However, if anything, growth slowed a bit from previous years. Still, the region's performance over the course of this recovery has been encouraging.

Expectations for the current year call for additional growth in the region. Still, a further reduction in growth is anticipated as the expansion slows a bit nationwide. A major factor influencing the performance of the region in 1989 is what happens in the factory sector. Several regions around the State have recently reversed the downward trend in jobs, if only temporarily. The Philadelphia metro area has yet to see such a bottoming-out.

Resident employment growth came in at 1.7 percent in 1988, well below the 2.4 percent Statewide gain as employment rose to a record high of 2.32 million. Employment has stood at record high readings almost nonstop throughout the recovery. As a result, the jobless rate dropped an additional 0.3 percentage point in 1988 to settle at 4.1 percent, its lowest reading since record keeping began in 1970.

The relatively strong performance of the region throughout much of the recovery is evident in trends related to the labor force which tends to move positively with the economy's health. Over the 1983-1987 period, the labor force grew at an average annual rate of 1.8 percent, three times that for the State. In 1988, growth came in at 1.4 percent, slightly below the Commonwealth's 1.8 percent advance.

Manufacturing has failed to contribute to the employment gains rung up during the past several years. In 1988, 1,900 additional jobs were lost for a 0.5 percent decline. The 372,700 jobs maintained in these establishments represent yet another all-time low. Last year's decline came despite a combined increase of 1,100 jobs in the region's two largest durable goods manufacturers, machinery and electronic equipment. There was also a combined gain of 1,000 jobs in the two largest nondurable goods industries, printing and publishing and chemicals. While jobs may have been down, production is probably holding its own based upon an increase in industrial power sales.

The news is better on the nonmanufacturing side but the 2.5 percent gain in jobs in these industries failed to live up to the Statewide norm of 2.9 percent. All told, there were a record high 1.82 million positions maintained in these establishments last year. As elsewhere, gains were concentrated in the service-producing sector. Finance-related industries added 700 jobs. Wholesale trade jobs were up 3,000 with an additional 8,700 coming in retail trade. The big gainer was again the services industries with 19,900 new jobs.

Construction jobs were up by 9,000 last year, but indicators of real activity send conflicing signals. The value of contract awards was up only slightly on the residential side but tumbled for nonresidential projects. Preliminary estimates of the number of residential units authorized by permit in the Pennsylvania portion of the region sank by a very slight 600 to stand at 15,100. The number of permit authorizations for new nonresidential projects rose by about 350.

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '88	*4 Q '88*	*3 Q '88*	*4 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	2,328.7	122	124	123
Unemployed, no. of residents	89.5	56	56	60
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	2,418.2	117	118	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,217.9	120	120	119
Nonmfg. only, no. of jobs	1,845.0	132	132	130
Mfg. only, no. of jobs	371.6	83	83	84
Hrs. worked by production workers in mfg., *ave. weekly*	41.2	102	101	102
Industrial electric power sales	***	110	113	112
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	1,976.8	+ 4		
Nonresidential contracts only	1,782.1	−28		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Reading

Unlike much of the rest of southeastern Pennsylvania, economic growth appeared to pick up a notch in Berks County in 1988. As a result, the overall picture looks to be one of the most encouraging in the Commonwealth as gains were recorded on practically every front.

These contentions are backed up by trends in nonfarm jobs. During the 1983-1987 period, establishment jobs rose by an average of 2.1 percent per year, identical to Statewide norms. During 1988, growth suged to 4.3 percent, the third highest among the State's 15 metro areas and 1.8 percentage points above the gain for all of Pennsylvania. In absolute terms, nonagricultural jobs rose by 6,400 to 153,700, another new record.

Both the factory and nonmanufacturing sectors contributed to job growth for only the second time this decade in 1988. On the factory side, jobs advanced by 1,200 or 2.5 percent. Trends in durable goods industries were especially impressive with the largest gain, 500, coming in primary metals. These job gains are especially encouraging alongside the 3.3 per-

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	173.3	126	126	122
Unemployed, no. of residents	6.8	92	82	99
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	180.1	124	123	120
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	158.3	118	117	113
Nonmfg. only, no. of jobs	108.1	132	130	125
Mfg. only, no. of jobs	50.2	97	96	95
Hrs. worked by production workers in mfg., *ave. weekly*	41.4	105	104	106
Industrial electric power sales	***	140	139	139
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	148.6	+29		
Nonresidential contracts only	77.4	+43		

[1]Berks County

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q.'88	*4 Q.'88*	*3 Q.'88*	*4 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	210.5	136	135	132
Unemployed, no. of residents	8.9	98	93	100
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	219.4	133	132	130
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	180.1	126	124	121
Nonmfg. only, no. of jobs	118.5	143	140	137
Mfg. only, no. of jobs	61.6	102	102	100
Hrs. worked by production workers in mfg., *ave. weekly*	42.5	103	104	104
Industrial electric power sales	***	125	126	120
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	232.7	+44		
Nonresidential contracts only	140.2	+34		

[1]Adams and York Counties

cent gain in industrial power sales, a proxy for production trends. Despite this relatively encouraging performance, it did little to offset the losses from previous years as job levels remain well below pre-recessionary readings.

An even stronger 5 percent gain was realized on the nonmanufacturing side as jobs cracked the 100,000-mark for the first time ever. The region's two largest nonfarm industries, services and retail trade, added 2,000 and 600 jobs, respectively. Construction activity appears to have picked up according to trends in the value of contracts awarded. A 29 percent increase in awards was realized on the residential side while an even larger 43 percent advance came on the nonresidential side. Building-related jobs were up by 600.

These positive trends are reflected in continued improvement on the employment/unemployment front. Resident employment grew by 7,400 in totaling 169,100, a new record. This gain was strong enough to absorb a net inflow into the labor force of 6,700 and reduce the number of residents counted as unemployed by 700. The end result was a 0.6 percentage point reduction in the jobless rate as it fell to 4.3 percent. This is the lowest it has been in 14 years as only four other metro areas, all in the southeastern portion of the Commonwealth, had lower rates. More good news appears to be on the horizon as 1989 should result in continued improvement, though it is doubtful that 1988's strong showing will be repeated.

York

Just as it has for the past several years, economic conditions improved greatly in the Adams/York County region in 1988. As is the case throughout much of southeastern Pennsylvania, growth continued at a pace somewhat higher than in the State as a whole. Although it is quite likely that such a performance will continue in 1989, it is expected that regions in western Pennsylvania will narrow the gap with their eastern neighbors, but only by a slight amount.

The strength of the York metro area economy over the past several years is evident in trends in employment and unemployment. Resident employment grew 4.3 percent last year, nearly double the gain for Pennsylvania. All told, there were 207,600 residents officially listed as employed in the bi-county region, marking the fifth year in a row a new record has been set. As a result, the jobless rate continued on a downward path in falling 0.4 percentage point to 4.2 percent, the fourth lowest reading in the State. The 9,200 residents counted as unemployed represents the lowest total since 1978.

The superior performance of the region relative to the rest of the Commonwealth is evident in recent trends as they relate to the labor force. Labor force growth tends to move positively with the economy's health. Over the 1983-1987 period, growth averaged 1.6 percent in the metro area compared to 0.6 percent Statewide. During 1988, the labor force expanded by 4 percent in Adams and York Counties but by 1.8 percent in Pennsylvania.

The nonmanufacturing sector continues to provide the bulk of all new jobs in the region. During 1988, 4,500 new jobs were generated in these establishments for a 4.1 percent gain. These industries have added workers practically nonstop since the onset of recovery earlier in the decade. Construction jobs were up by 1,300 for the year. This, in conjunction with a solid showing with respect to the value of contract awards for both residential and nonresidential projects, suggests that activity may have strengthened a bit in 1988. The remaining new jobs were generated in the service-producing categories.

Perhaps the best news is found in the region's factories which were home to 4.1 percent more jobs in 1988 than in the previous year. Statewide, a much smaller 1 percent gain was realized. In absolute terms, this translates into 2,400 jobs as the number of positions totaled 60,700, the highest reading since 1981. Gains were realized in both the durable and nondurable goods categories. The average workweek remained at a record high which should help prop up job levels in 1989. Production appears to have more than held its own in light of the 7.1 percent advance in electricity sales to industry.

— William D. Anderson

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